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KITCHENS

Birk's kitchen has grill power

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EQUIPMENT

Analyze carefully before replacing

Patt Patterson/Page 61

INDEPENDENTS

00133900
MS JEANNE LONG
CONGRESSIONAL INFORMATIO IFB
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

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NEWSPAPER

Nation's
Restaurant News®

The Weekly Newspaper of the Food-Service Industry

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Top industry guns shoot for expansion

Smaller operators face squeeze as market leaders renew growth

By Peter Romeo

Many of food service's fittest companies are giving Darwinism a shove by accelerating expansion at a time when feebler competitors are struggling merely to retain what business they have.

"They're taking advantage of the industry environment by grabbing up the good sites that other outfits are too weak to vie for," commented Ron Paul, president of the Chicago-based Technomic Inc. research concern. "It's going to force a shakeout in the second and third tiers."

In recent months McDonald's, Pepsico, General Mills, Imasco, TGI Friday's, and Cracker Barrel have all disclosed plans to crank out units of their respective restaurant chains at a faster pace. Some of the companies said they would seek out alternative sites, while others said they would seek to convert existing units to their concepts.

Their strategies echo the expansion plans already aired by such powerhouses as Carlson Hospitality Group, Marriott, TW Services, and Chili's.

In addition to muscling feeble contenders out of the domestic market, those players' ambitious growth strategies promise to reshape competition abroad for years, if not decades. Analysts have noted that many U.S. companies are using capital garnered from strong domestic operations to scoop up choice foreign sites, pre-empting chains that are

*(See **BIG GUNS**, page 4)*

Labor-saving equipment tops shopping list at Carolina Expo

By Jack Hayes

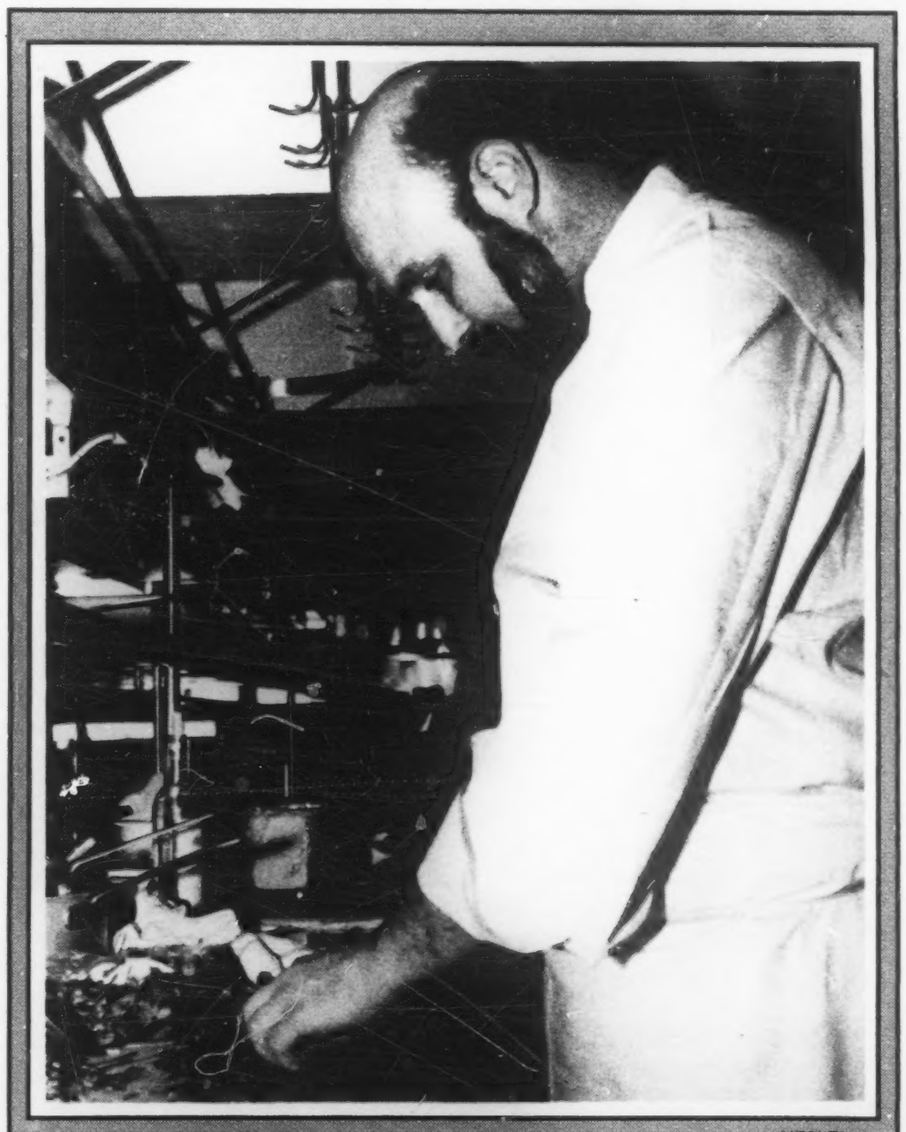
CHARLOTTE, N.C. — In the battle to keep kitchens cooking despite a worsening labor crunch and the threat of a higher minimum wage, a record crowd of restaurateurs showed up for the Carolina Food Service Expo, admitting that this may be the year they get serious about replacing people with machines.

Calling staff scarcity the real mother of invention, operators attending one of the key regional shows before the National Restaurant Association show in Chicago in May said labor-saving equipment ranks high on the list of possible solutions.

At the same time restaurateurs indicated that customer demand for nutrition has inspired them to continue searching out more cholesterol-free substitutes across the menu.

"It's ironic being in an industry that is so people-oriented and at the same time having to search for ways to replace people that aren't available," said Wilbur F.

*(See **OPERATORS**, page 4)*



NRN Photo

Lawrence Forgione chops vegetables in American Place.

More seats, lunch tabs spark Forgione move

By Ken Frydman

NEW YORK — Lawrence Forgione's relocated American Place fine-dining restaurant has allowed him to triple his space, add nearly 100 seats, begin serving lunch, and replace prix-fixe dinner service with all-day à la carte menus.

Although Forgione owned his original An American Place restaurant at 70th Street and Lexington Avenue in Manhattan and the building that housed it, the 55-seat operation was too small for lunch, he said. So he sold the building and moved 38 blocks south.

*(See **FORGIONE**, page 70)*

FOOD WATCH

The Magnificent 7

LOS ANGELES — Seven top Italian restaurants here teamed up to cater the International Food Media Conference.

The eight-course dinner at Rex il Ristorante included Pazzia restaurant's grilled bruschetta toast with olive oil, black olives, and tuna eggs; Emilio's Parmesan-filled mini-crêpes floating in capon broth; La Scala's penne pasta with radicchio in a cream and cheese sauce; and Osteria Romano Orsini's pappardelle pasta with porcini mushrooms; and Madeo's herb-roasted legs of veal.

Take-out trend alert

Page 7

Rex served its 17th-century recipe for branzino sea bass, which featured a saffron-honey-prune-almond sauce.

The meal was wheeled on carts into Rex's Art Deco dining room and carved and plated by the host restaurateurs.

— Richard Martin

Hard Rock shaken as 4 factions emerge

By Milford Prewitt

ORLANDO, Fla. — The breakup of the famed Hard Rock Cafe into two unaffiliated factions is splintering further as four different concerns prepare to open five Hard Rocks.

The proposed development of new Hard Rocks in Toronto and Memphis, Tenn., has ignited a controversy because neither unit will be operated by the two better-known Hard Rock operators — concept co-founder Peter Morton, president of Hard Rock America in Los Angeles, or Mecca Leisure, a British entertainment conglomerate.

The Toronto unit has Mecca Leisure executives fuming over what they say is an infringement of their development rights. Furthermore, Mecca president Robert Earl said he is pursuing court action.

Morton's group will open one new unit in April in Sydney, Australia. Mecca Leisure, meanwhile, will start up two units, one in Boston and another in Orlando.

The Canadian Hard Rock will be the second developed in Toronto by the Bitove Corp., a food-service and

*(See **HARD ROCK**, page 70)*

BERNSTEIN ON ILLINOIS' PANACEA FOR OVERREGULATION — F3

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NEWS DIGEST

TW seeks alternatives to takeover by Coniston

NEW YORK — TW Services, the nation's fourth-largest food-service company, is contemplating the sale of one or more of its restaurant holdings as a way of eluding a takeover by Coniston Partners, the arbitrage firm here.

TW said it is also exploring the options of a leveraged buyout, a recapitalization, or a sale of the company to a third party. In government filings the company also indicated that it has not ruled out the possibility of acquiescing to Coniston, which tendered a $29-per-share bid more than six months ago.

Several years ago, in a successful attempt to thwart a takover by arbitrager Ronald O. Perelman, TW sold a hotel company and recapitalized the businesses that remained in its fold. The conglomerate's holdings today include Denny's, Canteen Corp., Quincy's, and some 300 franchised Hardee's units.

Coniston has indicated in Securities and Exchange Commission filings that more than 90 percent of TW's shares outstanding have been tendered. The arbitrager recently disclosed that it would seek to place two representatives on TW's board of directors at the company's shareholder meeting in April.

DWG disregards $572M bid from New York investors

MIAMI — DWG Inc., parent of the Arby's fast-food chain, said it has disregarded a $572 million takeover bid in the wake of a declaration by principal shareholder Victor Posner that he would not sell his 46-percent stake.

The suitor, a New York investor group led by lawyer and parking-garage mogul Andrew Heine, would need at least 66.6 percent of DWG's common shares to force a change in ownership.

DWG said it has not even considered the group's $22-per-share tender offer in light of Posner's refusal to sell.

7-Eleven adds a.m. item to lure fast-food fans

DALLAS — The 7-Eleven convenience-store chain is mounting a new foray into fast food by adding a breakfast sandwich formulated to be eaten in cars.

Called the Breakfast Bite, the new item consists of a pork sausage link embedded in a split-top butter roll. The sausage was developed exclusively for 7-Eleven by Jimmy Dean, an advertised supplier of supermarket meats.

A split-top roll is used because patrons can hold it in one hand while they steer their cars with the other, the 7,000-unit chain said.

New York restaurants face new garbage-handling rule

NEW YORK — The City Council has approved a mandatory garbage-recycling plan that would require restaurants and other businesses to separate recyclable refuse from the rest of their trash.

The places could either sort the garbage themselves or retain a private carting service to perform the task. New York residents would also be required to sort their garbage.

If the recycling measure is signed into law by Mayor Koch, the stipulation affecting businesses would be phased in over a five-year period. The mayor has indicated that he favors the plan.

Hardee's extends menu with 2 chicken items

ROCKY MOUNT, N.C. — The Hardee's hamburger chain is expanding its array of chicken products with the addition of two sandwiches.

A grilled-chicken-fillet sandwich is being rolled into two-thirds of its more than 3,000 restaurants, a spokesman said.

In addition, the chain has added a $1.29 chicken biscuit sandwich.

Retail chain tests diner as in-store traffic draw

CHICAGO — Merry-Go-Round, a chain of specialty clothing stores, plans to incorporate a 1950s-style diner into what could be the prototype for a new retail chain, said company president Michael D. Sullivan.

The restaurant, to be called Boogie's Diner, "will offer an effective way to distinguish ourselves from other apparel retailers" while providing "entertainment to draw people in," Sullivan told the Dow Jones News network. The eating place will be located on the mezzanine level of a store scheduled to open here soon as the trial balloon for a new retail concept.

The concept is apparently patterned after the Boogie's Diner that was unveiled a year ago in Colorado by Merry-Go-Round co-founder Leonard Weinglass.

Callender pays Ramada $300,000 in back fees

NEWPORT BEACH, Calif. — Facing the seizure of his eight Marie Callender's franchised restaurants, chain founder Donald Callender has paid franchisor Ramada Corp. more than $300,000 in back royalties.

A source close to the situation said Callender had withheld the payments since August because of his claims against the company. Callender, Ramada's second-largest shareholder, is embroiled in several lawsuits with the company, including one over alleged breaches of the terms under which Ramada had bought Marie Callender's from him in 1986 for $57 million and 2.5 million Ramada shares.

Ramada is selling Marie Callender's to help block a takeover by Chicago's Pritzker family, its largest shareholder.

New extra crispy products eyed by KFC, licensee says

LOUISVILLE, Ky. — Kentucky Fried Chicken is reformulating the extra-crispy version of its fried chicken and is developing a new spicy formulation of the crunchy product, according to Collins Foods, a major West Coast franchisee.

A spokesman at the chicken chain's headquarters here said he could neither confirm nor deny the reports, which came from Collins president Richard Bermingham during a financial conference in New York.

Many KFC units in urban markets currently feature an extra-crispy version of fried chicken. A spicy extra-crispy product would be a completely new item for the segment-leading chain. Peppery fried chicken is currently the signature offering of the rival Popeyes chain.

Dunkin' Donuts tests new dunkable product

RANDOLPH, Mass. — Dunkin' Donuts is seeking to expand its line of baked goods by test-marketing a doughnutlike product that comes with dipping sauces.

Called Dunkin' Dippers, the finger food consists of crescent-shaped wedges of pastry dunked in syruplike sauces. The dips come in several flavors, including strawberry, orange, and apple cinnamon.

El Pollo Asado plans more cafe conversions

PHOENIX, Ariz. — The El Pollo Asado chain said it plans to transform more of its fast-food chicken restaurants into Mexican-style cafes as part of a plan to improve the operator's financial situation.

Asado said it plans to pay for the conversions with a portion of the $2.5 million it secured through the renegotiation of its loan agreement with an unspecified bank. The arrangement suspends Asado's loan repayment schedule until June 1991 and exempts the chain from certain interest payments. In exchange, the lender was awarded options to purchase 2.7 million Asado shares at 20 cents each.

In detailing the agreement, Asado noted that payment deadlines had been extended in the past to avoid defaults.

FOCUS | OPINION

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Publisher JAMES C. DOHERTY

Editor CHARLES BERNSTEIN

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Atlanta 278 Spring Drive, Roswell, GA 30075, 404-998-6966
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Regional Manager Dick Harrigan
Area Manager Steven Conca
Washington 17735 Striley Drive, Ashton, MD 20861, 301-774-3895
Mgr., Corres. Ken Rankin
Correspondents Deane Evans, Nicole Miles
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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Illinois: Panacea for overregulation

In the midst of blatant government interference in the restaurant industry on both federal and state levels, a pace-setting free-enterprise experiment is being implemented with spectacular results in Illinois. This contrasts dramatically with government's penchant for regulating the minimum wage, FICA taxes on tips, business meal tax deductions, health benefits, parental leave, and franchising.

It is in franchising that Illinois attorney general Neil Hartigan has made a huge difference. When he took office six years ago, the bureaucratic system was in chaos. "We were compiling and filing 29 reports a month on franchising," he said recently, "and nothing much was happening. I decided to do away with this onerous burden and make the system work."

The situation Hartigan faced was that all franchises of every type were being regulated, but enforcement was erratic. He established a Franchise Advisory Committee of business people and started a test program under which the state government was in effect the employer and franchisors the employees.

Hartigan did away with the endless stream of government reports and concentrated on specific actions. "We're really only after the 1 percent or 2 percent of franchisors that cause problems," he said, "and we should not be trying to regulate 100 percent of them. That creates red tape and government interference."

Under Hartigan's non-bureaucratic approach, food-service and other franchisees have prospered in Illinois. He emphasized that "by doing away with 100-percent government regulation, franchising is realizing the American dream in Illinois. We've created a healthy environment for franchisors and franchisees alike."

This may sound like pap, but it has produced results. Since Hartigan took office in 1983, the number of franchising companies in Illinois has almost doubled, from 448 to 866. Actually, 200 new franchisees came in last year after the State Legislature finally passed Hartigan's new streamlined Franchise Disclosure Act.

This sharply curtails state government red tape for legitimate franchising companies. At the same time it protects Illinois investors by imposing severe penalties on individuals and companies that violate state franchising regulations.

Hartigan, who was Illinois lieutenant governor from 1973 to 1977, has been an outspoken advocate of consumer legislation as well as a protector of franchisor, franchisee, and investor rights within the framework of a free-enterprise system.

Also among Hartigan's major achievements that could provide viable examples for other states: eliminating endless delays in the franchising registration process, increasing the penalties for those who violate the Franchise Disclosure Act, and making the Attorney General's office a well-run profit center rather than a drain on taxpayers.

Everyone can learn a valuable lesson from the fact that for each dollar that is spent on the Illinois attorney general's office, more than four dollars is recovered through assertive legal efforts.

Hartigan, 50, who worked in private industry as international banking senior vice president of the First National Bank of Chicago for five years before becoming attorney general, stresses a business approach to government and believes in profits rather than in deficits. He was the the International Franchise Association's 1988 Free Enterprise Award winner.

The way he sees it: "Small business is the backbone of our economy. As such, it is our duty as public servants to protect small business from dishonest operators and to help cut their costs by making it easier to comply with state regulations."

How wonderful it would be if other state governments and the federal government took this same progressive approach in encouraging small business — the foundation of the restaurant industry — rather than discouraging it through an endless array of regulations and bureaucratic red tape.

Federal and state governments have generally created a hostile climate for business and run up large deficits at taxpayer expense. There is no reason why government can't be run like a business, sparking a favorable climate.

LETTERS

Industry discrimination snubs experienced workers

Editor, NRN:

I'm so glad to see that someone finally spoke out about the very common age discrimination in the food-service industry. I'm referring to a letter that was published in Nation's Restaurant News from Rolf Olofsson of Bar Harbor, Maine, in conjunction with the temporary workers' lack of professional pride.

In his letter he mentioned the thousands of capable and highly motivated men and women who are refused jobs because of age. He referred to "Age discrimination: missed opportunity," "a blatant loss of opportunity, not only for the veteran employee, but for the entire food-service industry."

How true it is; it could not have been said better. After searching for a job in the food-service industry for nearly six months and still searching, I have come to the conclusion that the food-service industry must be one of the chief violators of age discrimination in America.

The age discrimination law on the books is useless. The industry is well aware of it; it can invent hundreds of excuses why one does not qualify for a particular job in order to bypass the law.

One recent reply to an ad by one of the largest U.S. corporations advised me that I did not have the qualifications for the job advertised; however, it has been my lifetime profession, and I have always executed it well in all my positions. In addition, I am certified by the American Culinary Federation, which has stringent professional requirements and standards.

Another company from California wrote me that it was impressed with my résumé and would like to schedule an interview but regretted that it did not provide transportation and hotel accommodation expenses. It also informed me that, should I pursue the matter and schedule an interview, I would have to visit a few of its restaurants for observation prior to the interview.

Therefore, I would be scheduled for at least two and possibly three interviews. This would involve a minimum of three full days at my expense in Los Angeles. It was stressed that I should be aware that there were no guarantees regarding employment, and, should I be offered a position, no relocation expenses would be reimbursed.

What a way to dispose of a job-searching veteran employee in an industry that has problems recruiting qualified pesonnel and to clear oneself from the law!

In the last 10 years I have lost my job in two companies because the positions were abolished because of mergers and buyouts. Each time it has become more difficult to reassociate with a company, because most companies look for entry-level and younger people. The bottom line is that they want to pay less.

The industry cries the blues with regard to the availability of *qualified* personnel. The fact is that it does not want to pay for experience, which therefore eliminates the experienced and well-qualified veteran employee.

Once you get to be more than 40 years of age, you're disposable, and the large corporations don't care what happens to you.

It is a sad situation in our industry. Experience and age justifiably command a higher salary than an entry-level junior employee with little or no experience. When will the industry wake up?

Although résumés may not reveal an applicant's actual age, most companies can easily determine a person's approximate age, based upon the years of experience and education. This is most unfortunate!

So what is one to do? Are we to lie about our age in order to even be considered for a job? Are we just to sit around and waste our minds and experience until our time is over even if we have another 10 to 15 of our best years to give?

— Kurt H. Elmer
Arlington, Texas

Christo's: A prime spot with a diversified menu

Editor, NRN:

I really enjoyed your Editor's Corner column regarding the continued popularity of prime steak houses in New York. My only regret was that Christo's, a 52-year-old landmark on East 49th Street, was not mentioned. Your article could not have described Christo's better in referring to a diversified selection of menu.

— Frank P. Mormando Jr.
owner
Christo's Steak House
New York, New York

FINANCIAL NEWS

Church's loses $14.5M

Store closings, takeover fees turn ink red in '88

By Peter Romeo

SAN ANTONIO — Church's Fried Chicken Inc., the fast-food operation being acquired by A. Copeland Enterprises for $392 million, reported a net loss of $14.5 million on revenues of $419.6 million for the year ended Dec. 25.

The results compare with a net income for fiscal 1987 of $9.5 million on revenues of $400.5 million. Systemwide sales for the Church's chain, which consisted at year-end of 998 company units and 371 franchised stores, were $559.8 million, up less than 5 percent from the prior year's tally.

"The results were in line with what we expected because of the store closings," commented Copeland president James Flynn, referring to the shuttering of 109 company-run Church's units during the fourth quarter. The company wrote off $20.2 million for ceasing operation of the unprofitable restaurants.

Losses for the final three months of fiscal '88 were further deepened by a $6.7-million outlay for legal and financial counseling sought during Copeland's pursuit. Church's fourth-quarter deficit surpassed $16.5 million, compared with a profit of $856,000 for the same stretch of fiscal 1987.

'The results were in line with what we expected because of the store closings,' commented Copeland president James Flynn.

Church's said more red ink was generated during the year by an 11.3-percent spurt in food and operating costs, to $424.5 million.

But the damage was tempered by an income tax benefit of $13.5 million, compared with an expense the prior year of $6.5 million.

Church's losses for fiscal 1988 translated into a 1988 per-share loss of 40 cents.

Copeland has agreed to pay $11 in cash and securities for each Church's share outstanding.

After a long and fervent effort to elude a takeover by Copeland, Church's surrendered on Feb. 15.

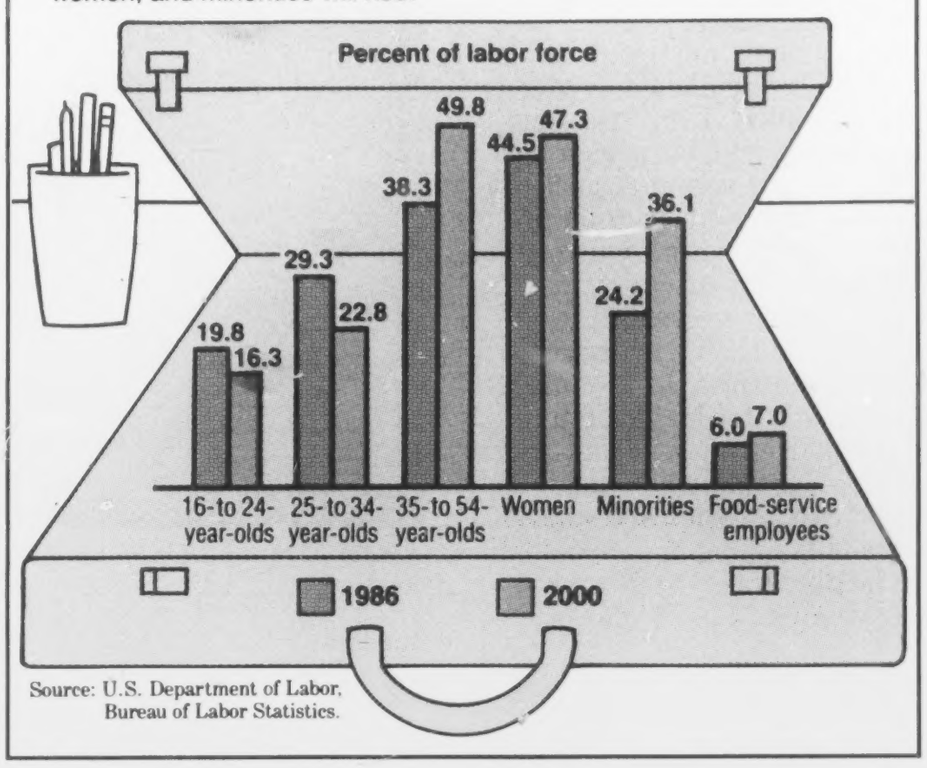
Copeland has said that it will grow Church's in tandem with Popeye's, instead of merging the two brands into one chain.

FACT FILE

A look at the statistics shaping the industry

LABOR 2000

In the year 2000, employers will find teens and young adults in short supply. The number of 16- to 24-year-olds will drop 3.5 percentage points to 16.3 percent of the workforce. The percent of middle-aged workers, women, and minorities will rise.



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Famous loses $984K for year

By Rajan Chaudhry

SCOTTSDALE, Ariz. — Famous Restaurants Inc., which operates 43 full service Mexican and seafood restaurants, said a $711,000 provision for unprofitable seafood restaurants and an operating loss of $273,000 combined to sink the company $984,000 in the hole for the year ended Jan. 1.

Last year, Famous posted net income of $2.3 million. Revenues for 1988 fell 4 percent year to year, to $68.5 million.

Higher health-care and other insurance costs and a $500,000 increase in interest expense contributed to the company's poor showing, it said.

For the fourth quarter, the company said its net loss totaled $1.6 million, reflecting an operating loss of $856,000 and the $711,000 write-off.

Revenues for the quarter fell slightly, to $15.6 million, from $15.9 million in 1987.

Sales for the four seafood restaurants operated by Famous in 1988 were off by $1.9 million and profits were down $916,000, the company said.

As a result, Famous closed one seafood restaurant in Tempe and sold another in Fresno, Calif. A third restaurant — in Santa Barbara, Calif. — was forced to close in October because of construction on an adjacent highway, the company said.

Famous said it is pursuing a condemnation award for the Santa Barbara Restaurant.

Since year's end, the company has opened one Famous Fish Co. and one Garcia's Mexican restaurant, leaving it with two seafood restaurants and 44 Mexican restaurants, three of which are franchised.

NRN FINANCIAL DIGEST

TW Services drops 1989 earnings

PARAMUS, N.J. — TW Services Inc. has lowered its net earnings for 1989 to $53.7 million, from a previously reported $66.8 million, to reserve the difference for an anticipated lawsuit settlement.

The $13.1 million would be used to resolve class-action suits against Denny's, the coffee-shop operator bought by TW in 1987. The litigation accuses Denny's of omitting and misstating information in the 1986 prospectus for a public offering of partnership shares in Winchell's Donut Houses, then a Denny's subsidiary. TW now holds 42 percent of the chain.

Denny's has denied the allegations.

TW also operates contract feeder Canteen Corp., chicken chain El Pollo Loco, and the Quincy's steak-house chain.

Two Pesos takes $959,000 from insurer

HOUSTON — Two Pesos Inc. has received $959,000, the balance of the policy limit, from one of its three insurance carriers, the company said.

The settlement was reached after Two Pesos filed a lawsuit in early March to force the carriers to pay the nearly $3 million in damages and attorney's fees awarded to rival Taco Cabana in a trade-secret misappropriation case.

The company is continuing negotiations with its other two carriers and is appealing the judgment, it said.

In the third quarter ended Dec. 31, Two Pesos recorded a charge of $3.4 million, which represents an award of damages, attorney's fees, and the estimated cost of complying with court-ordered changes in the concept. The company said the insurance proceeds would be used to offset this charge and will be reflected in the fourth quarter.

Two Pesos operates 27 company-owned and three franchised quick-service Mexican-style restaurants.

Vicorp buys back preferred shares

DENVER — Vicorp Restaurants Inc. said 426,492 shares of preferred stock were tendered to the company in its $17.50-a-share cash offer to purchase any and all outstanding shares of the stock.

Vicorp, which operates the Bakers Square and Village Inn restaurant systems, said 370,105 preferred shares remain outstanding.

FOOD PRICE OUTLOOK

Chilean fruit scare drives prices up

The cyanide scare that has held up shipments of **Chilean fruit,** especially **grapes,** has boosted prices. Even if shipments are allowed to continue, some crop will be lost, and prices are expected to stay high.

At the same time, the Alar pesticide scare in **apples,** which has hit food service as well as consumers, is pushing apple prices down. Shippers are holding large stocks, and with school districts all over the country dropping apples and apple products, food-service movement has slowed to a crawl.

The outlook for the nation's **grain** crop, which directly affects the price of **meat, poultry, bread,** and even **frying fat,** presents a mixed picture. The worst element is continued dry weather in a large part of this country's **wheat** growing area. Kansas, Oklahoma, and Texas have had about 40 percent of their normal rain and snow. That, combined with an early March heat wave, has raised fears about the winter wheat crop (which is planted in the winter and harvested in late spring).

Soybean prices may drop, helping frying fat users. Brazil is expecting a record crop, which should force down world prices since a major part will be exported. However, a possible dockworkers' strike in that country could hold up exports until late spring.

Tomato paste stocks, which have virtually dried up, were helped recently by sharply increased imports. Despite forecasts of reduced imports because of short packs by most overseas suppliers, climbing prices apparently has drawn out larger than expected foreign supplies. Expect the **California pack** to be boosted this year to get the business back.

— Patt Patterson

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